India and the British Empire, 1880-1935*

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From the battle of Plassey in 1757 to the transfer of power in 1947 the British were the dominant power in the Indian subcontinent. From the mid-eighteenth century onwards the administrators of the Raj were faced with a series of problems unique in the history of the British empire, problems which arose from the attempt to rule a large, populous dependency inhabited by an alien society largely unreceptive to European notions of government, law, economics, and public life. The history of the Raj is an exception to every rule about the nature of British imperial control: in the high Victorian period of informal empire India was held under direct, bureaucratic rule; in the late nineteenth century, when Britain's formal empire was expanding in Africa and elsewhere, the techniques of control became increasingly informal; the winding up of the Raj in 1947 provided the vital link between the demission of empire in the white colonies in the nineteenth and early twentieth centuries and the decolonization of Asian, African, and Caribbean dependencies in the 1950s and 1960s.

The history of the British Raj is long, complex, and still largely unwritten. The best efforts of scholars to date have not yet provided even a satisfactory framework of analysis within which the historical phenomenon of British rule in India as a whole can be understood. Nor can any of the existing theories of imperialism—economic, political, or cultural; Marxist or non-Marxist—be easily built up or shaved down to fit the Indian case. Most of these theories are concerned with the expansion of empires, not with their decline; most are, at least in their classic forms, historically based on the events which took place in the late nineteenth century and in areas until then untouched by direct European influence. This article focuses on a period which saw the slow collapse of an imperial power in an area of the world in which a European presence was long established; it is a study of the fact of empire, not of the theory of imperialism.

The analysis developed here is an attempt to provide an over-view of the problems and purposes of the British rulers of India and to contribute a consistent and substantially new picture of British policy in the last 70 years of the Raj. The puppet-masters that we are concerned with are not the

*A sequel to this article continuing the analysis for the years 1935-47 will be published in the next issue of the journal.

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controllers of international capitalism in any of its forms, but the politicians, planners, and policy-makers in Whitehall who dealt with imperial problems. The only theoretical assumption that has been made is that the aims of these two groups were not necessarily the same.

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An appreciation of the bare fact of British rule is important in understanding the history of India in the period 1880-1947, but the nature and form of that rule was not constant. As imperial imperatives and Indian circumstances changed, both affected what the policy-makers in London hoped to get out of the Raj. Redefinitions of the ends and new limitations on the means of British rule led to changes in the systems of control by which the Raj was maintained. In our period these systems altered extensively and fundamentally. In 1880 the centralized structure of empire was practically intact; local government had a little autonomy but the hold of the British bureaucrats was secure; a few Indians sat in the provincial and central Councils, but they had no legislative power and were all nominated; London directly controlled the Government of India, which directly controlled the provinces. By 1935 much had changed: once the new Government of India Acts were implemented, elected Indian politicians would enjoy unfettered legislative and executive control over all aspects of local and provincial government and over a wide range of central governmental functions; the provinces were now separate administrative units; London had handed over control of trade and tariff policy and had established an independent Reserve Bank to manage India's currency and national debt; a decentralized and largely responsible form of government had emerged out of a rigid, centralized bureaucracy. In 1947 this process of transferance of power reached its logical conclusion—India became an independent nation.

Many factors—economic, political, ideological, diplomatic, etc.—contributed to the modification and eventual collapse of the control structure of the British Raj. This article and its sequel will argue that there was a contradiction inherent in the phenomenon of British rule which eventually brought about its demise. As Disraeli pointed out in 1881, the key to India lay in London: British rule was not maintained for the benefit of the Indian, nor simply for the sake of direct British interest in India; the Raj was there to keep firm the foundation on which much of the structure of formal and informal empire rested. For London the twin imperatives of India policy were that the Indian empire should pay for itself and that Indian resources should be available in the imperial cause. However the secret of successful Indian government was low taxation, so imperial demands for Indian resources had to be balanced against domestic pressures. To keep itself solvent and secure the Government of India had to weigh imperial commitments against the

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needs of its subjects. The heart of the problems of the Raj was the maintenance of this balance, and every successive imperial crisis in which Indian resources were pressed into imperial service—notably the two world wars and the great depression of 1929-33—disrupted it, resulting in the need for political concessions to Indians which limited the demands that the empire could make upon India in the next crisis until these had dwindled to nothing.

This overall view of the decline and demise of the British Raj must not be thought to imply a belittling of the forces of nationalism and political development in India. Had it not been for the political pressures resulting from the determination of Indian leaders that the British should leave India then the life of the Raj would certainly have been smoother and might well have been longer. The modifications of the systems of British control which will be traced here, most notably the Government of India Acts of 1919 and 1935, depended for their success on the collaboration of large sections of Indian political opinion; the fact that this was not forthcoming was the major cause of their failure. These articles ignore the forces of nationalism not because they are thought unimportant,[1] but because a knowledge of their role in the analysis developed here can be assumed.

To find the mainspring of British imperial policy in India we must first identify British interests in the subcontinent. In the half century before 1914 India played an important part in maintaining Britain's position in the world. Britain's economic strength in the nineteenth century was largely built on her export trade and India was an important market. In 1870-72 India bought 8.2 per cent of Britain's total exports, 12.6 per cent in 1890-92, 11.4 per cent in 1910-12, and 16 per cent in 1913. In 1870 she stood third among purchasers of British goods, in 1890-92 second, and in 1913 first.[2] The demands of commerce had provided a good deal of the impetus behind the expansion of British rule in India and by the 1880s Britain supplied 80 per cent of Indian imports. In the next three decades this proportion fluctuated and slowly dropped, but it was still over 60 per cent in 1913.[3] The Indian market was not equally important to all sections of British industry. In 1913, for example, 60 per cent of British exports to India were textiles, mainly the cotton textiles of Lancashire, 25 per cent were iron and steel and machinery, and the remaining 15 per cent were railway and mill stores, hardware, soft goods and sundries for the bazaar trade.[4] Lancashire cottons were one of the export

[1] I have considered this subject in detail in my forthcoming book *The Indian National Congress and the Raj 1929-1942: The Penultimate Phase.*

[2] A.K. Cairncross, *Home and Foreign Investment 1870-1913*, Cambridge, 1953, p. 189; *Report on the Conditions and Prospects of British Trade in India*, Cmd 442, 1919, p. 9.

[3] Britain's share of Indian imports (in value) was 69.7 per cent in 1890-91, 67.9 per cent in 1895-96, 66.3 per cent in 1905-96, and an average of 63 per cent in 1909-10 to 1913-14. *Statistical Abstracts of British India.*

[4] *Report on the Conditions and Prospects of British Trade in India*, Cmd 442, 1919, p. 9.

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staples on which Britain's premier position in the world economy was based. India was Lancashire's single most important market, taking around 40 per cent of cotton piece-good exports in the period 1880-1913.[5]

Indian exports were also important to the British economy although her commercial relationship with Britain was not the classic colonial one of supplying raw materials, food-stuffs, and inputs for metropolitan industry. India provided less than 10 per cent of total British imports in the late nineteenth and early twentieth centuries. Between 1890 and 1911 Britain's share of total Indian exports sank from one third to one quarter, while Indian exports to Europe and the United States were growing quickly.[6] Interestingly enough, India's export trade with other industrial nations in the 1890s and 1900s was more 'colonial' in character than her exports to Britain, which included more semi-manufactured articles.[7] But the sale of Indian goods overseas did play an important part in strengthening the British economy by indirect means. India had export markets in a number of countries in which British goods had little sale but from which Britain was importing large amounts. In the late eighteenth and early nineteenth centuries India had supplied opium to China to pay for British purchases there of tea. From 1870 to 1914 India formed the vital third leg in a triangular pattern of settlements between Britain and the rest of the world, financing over two-fifths of Britain's balance of payments deficit with Europe and North America.[8]

[5] British cotton piece-goods exports in million yards:

	Total	*India*
1880	4,496	1,813
1890	5,124	2,190
1900	5,034	2,019
1913	7,075	3,000

SOURCE: A. Redford, *Manchester Merchants and Foreign Trade*, Vol. II, Manchester, 1956, p. 22.

[6] Percentage shares of Indian exports (merchandise only):

	Britain	*Europe*	***USA***
1890-91	**32.8**	24.8	**3.9**
1895-96	**32.5**	24.4	**4.7**
1901-02	**25.0**	25.3	**6.9**
1905-06	**25.8**	28.2	**8.2**
1910-11	25.0	33.5	**6.5**

SOURCE: *Statistical Abstracts of British India*.

[7] Britain was an important market for Indian exports of wheat, tea and jute, but not for hides and skins (to Europe), opium (to Asia) nor, most important of all for the 'colonial' model, for raw cotton. Indian cotton was of low quality and short staple; Lancashire used long staple cotton from the United States and Egypt. The major markets for Indian cotton were Europe and, after 1900, Japan.

[8] In this period Britain's exports to her traditional markets in Europe and North America were being hit by indigenous industrial development and tariff barriers, while her imports from

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Metropolitan manufacturers were not the only Britons with commercial interests in India. Since the days of the Company firms of British expatriates had found India a rewarding field for their enterprises. British merchants in Calcutta largely controlled the marketing of British exports to India and of Indian exports to the rest of the world. They also supplied the management of the Indian subsidiaries of British engineering and other enterprises. Only in Calcutta was their position paramount but this city, the most important commodity and brokerage centre in Asia, dominated the economy of most of Eastern India.

India was also a field for British investment. In 1870, £160 million of the total of £785 million of British overseas investment was in India; in 1885, £270 million out of £1,300 million; in 1913, £380 million out of £3,780 million.[9] India was never as important a market for exports of capital as she was for exports of cotton goods, but by 1913 she had received the fourth largest sum of British capital of any country in the world.[10] British capital was invested in the merchant and agency houses of Calcutta and in the railways, other capital schemes and the government debt. But it is very difficult to quantify the benefits which this activity brought to the British economy; the question of whether foreign lending acted as a drain on British capital formation and so prevented adequate investment in British industry is still unresolved.

The greatest, because the only irreplaceable, advantage which the British derived from India was the use of the Indian army. In 1880 the Indian taxpayer supported 130,000 Indian troops and 66,000 British troops; in Lord Salisbury's words, 'India was an English barrack in the Oriental Seas from which we may draw any number of troops without paying for them.'[11] But in some ways the Indian army was a circular commitment. Military expenditure was the greatest single burden on Indian revenues, running at around 40 per cent of the Government of India's gross expenditure, yet the primary function of the Indian army was to keep India secure so that this revenue could continue to be collected. The legacy of the Mutiny clouded all British attitudes towards

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these countries continued at the same level. India, on the other hand, was exporting much more than she was importing from these areas. Only with Britain did India have an adverse balance of trade. Thus Britain's balance of payments deficit with Europe and North America was financed by her balance of payments surplus with India and India's surplus with the rest of the industrialized world. See S. B. Saul, *Studies in British Overseas Trade 1870-1914*, Liverpool, 1960, Chapters III and VIII.

[9] Though the amounts of British capital invested in India were growing absolutely, they were declining relative to the total amounts of British overseas investment. Investments in India formed roughly 20 per cent of the total in 1870 and 1885, but only about 10 per cent in 1913.

[10] *Ibid.*, p. 67. Cairncross, *op. cit.*, 183.

[11] Quoted in M. Howard, *The Continental Commitment*, London, 1972, p. 18.

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their rule in India; one important reason why the army cost so much was because it had been laid down in 1858 that there should be one British to every three Indian soldiers in India and that no Indians should hold commissions. The army could not be used outside India efficiently because its deployment within India was still governed by the garrison schemes of the 1860s. Nor did the defence of India involve only the Indian army—many of the problems of British foreign policy of the late nineteenth century were caused by attempts to prevent, forestall, or counter the threat to India of other European powers, notably Russia. Despite these limitations, the Indian army was an asset to the empire. It maintained India's frontiers from the Afghani tribes and could be sent beyond those frontiers at no cost to Britain, as it was to China in 1839, 1856, and 1859, to Persia in 1856, to Afghanistan in 1878, to Egypt in 1882, to Burma in 1885, to Nyasa in 1893, to Mombasa and Uganda in 1896, and to the Sudan in 1896, and 1897.[12]

Thus in their heyday British interests in India were considerable. However, the India policy of successive British governments was not simply designed to maximize these interests. There were only two aspects of Indian financial affairs in which the British government was directly and necessarily involved: firstly, India's ability to pay the annual interest charges on public and railway debt raised in London and guaranteed by the home administration; secondly, India's ability to provide funds for the training, maintenance, and pensioning of British troops in India and for their employment in an imperial role. All other British interests in India—those of investors, merchants, and manufacturers—were private and were defended or extended by British governments only under certain conditions and in certain circumstances. The most important private interest was that of the Lancashire cotton manufacturers which, many historians have assumed, represented an integral part of the British imperial system. It is true that in the mid and late nineteenth century British governments were receptive of the pressures applied from Lancashire, that the Government of India's tariff policy was shaped by the needs of British cotton manufacturers and that the principles of the 'imperialism of free trade' were, for a time, brought to bear on India.[13] But the shaping of Indian tariffs was also an issue in a larger confrontation over the making of India policy: as a recent study of the problem has made clear, the success of the cotton lobby in the nineteenth century was dependent on several factors, not least the role of Lancashire MPs in British politics and the de-

[12] See *ibid.*, p. 17; R. E. Robinson and J. A. Gallagher, *Africa and the Victorians*, London, 1961, p. 12.

[13] See, for example, P. Harnetty, *Imperialism and Free Trade: Lancashire and India in the Mid-nineteenth Century*, Manchester, 1972; 'The Indian Cotton Duties Controversy 1894-1896' in *English Historical Review*, 1962, pp. 684-702; R. J. Moore, 'Imperialism and Free Trade Policy in India, 1853-1854' in *Economic History Review*, 1964, pp. 135-45.

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sire of Secretaries of State and Viceroys to use the tariff issue to assert their dominance over the Council of India in London and the Executive Council in Calcutta, and the failures of the 'cottonocracy' to dominate Indian tariff policy in the twentieth century are also explicable in terms of these wider issues.[14]

For the sake of brevity in the argument advanced here the cotton tariff issue will be used to exemplify the influence of private interests on imperial policy. Although it is important to remember the distinction between the interests of British firms and pressure groups in India and the purposes and priorities of successive British Governments' India policy, it is also true that, given the circumstances of the mid and late nineteenth century, the expansion of the export trade in British cotton manufactures was regarded as an important aim of that policy. Thus in 1880 the Government of India had an imperial commitment which meant three things in practice: that the Government of India should not impose any artificial barriers, especially tariffs, on the important sectors of Britain's export trade to India; that the Government of India should ensure the payment of interest on guaranteed railway stock and debt bonds and should meet its annual Home Charges; and that the Indian army should be available for imperial defence.

Each point of this three-pronged commitment cost the Government of India money. The revenues of nineteenth-century government, based on land, salt, and opium, were fairly inelastic. Direct taxes were politically dangerous, while there was not the revenue surplus available to sufficiently develop the Indian economy so as to give governmental finance a sounder base. The needs of British exporters prevented the Government of India from imposing a revenue tariff and from creating protected markets which would encourage the growth of Indian industry. In exceptional circumstances the cost of interest repayments could be crippling, while when the rupee/sterling exchange rate was unstable, as it so frequently was before India came off the silver standard in the 1890s losses on exchange were another drain on government financial resources. Even when the rupee had left the silver standard a slump in Indian exports could cause exchange difficulties. If the level of Indian exports, and hence the world demand for rupees to pay for them, was low, the Secretary of State would have to sell rupees cheap against sterling in London to raise enough to meet the Government of India's expenses in Britain. The army, with its high percentage of British troops whose training costs, pay, and pensions had to be provided for, was another expense, especially when it was overseas playing an imperial role. And when the Government of India attempted, in the late nineteenth century, to increase revenue by

[14] Clive Dewey, 'The Eclipse of the Lancashire Lobby and the Concession of Fiscal Autonomy to India' (forthcoming) in *Past and Present*.

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decentralizing the tax system to give more scope to provincial governments, it was immediately confronted by demands from the localities and provinces for a greater share of what had been collected. Between 1880 and 1914 there were a number of crises in which the Government of India was forced to try to satisfy new domestic or imperial demands upon its resources. These were as yet only straws in the wind, but they did indicate that the established imperial relationship could not be continued indefinitely.

An export surplus was the great strength of the Indian economy. It was also the key to the financial stability of the Government of India. From the 1870s onwards, a fall in the gold price of silver and the abandonment of the silver exchange by a number of European countries caused a persistent decline in the (silver-based) rupee exchange rate 'against sterling and other gold-based currencies. This caused an increase in the cost of the Government of India's remittances to London (which had to be made in sterling). Until 1892-93 revenue had been adequate to cover the increased costs of these settlements, but in that year the Government of India began to run into deficit. The exchange crisis was overcome by going off the silver standard and by reducing the minting of rupees to raise their value (as coin, not as bullion) against sterling and other gold-based currencies. But the Government of India suffered severe exchange losses before this policy became effective and needed to increase its revenue to cover them.

The Currency Committee of 1893 recommended that an import tariff would be the best solution. As Britain was the largest supplier of imports to India, an import tariff would affect British exporters most. Only a decade earlier, in 1882, pressure from British mercantile and manufacturing interests, led by the Lancashire cotton magnates, had forced the Government of India to abolish its revenue tariff; despite this experience the government now realized that it had no option but to reimpose the import tariff for revenue purposes. Any increase in direct taxation (land revenue, income tax, etc.) would cause a political storm in India; the salt duty and excise had been raised in 1888, opium duties were near the point of diminishing returns; tobacco and sugar duties would be unpopular, general export duties would damage the competitiveness of the Indian export trade and might cause a balance of payments crisis. So the particular interests of British manufacturers had to be sacrificed to wider imperial ends. The Government of India did try to omit cotton imports from the proposed general 5 per cent *ad valorem* duty. But this exemption was strenuously opposed by both British and Indian non-official opinion in India and the government plucked up courage to ask London for a tariff on piecegoods also. The Secretary of State, Henry Fowler, was under counter-pressure from Lancashire interests and suggested the compromise of an additional 5 per cent countervailing excise on Indian cotton piecegoods to remove any suspicion of protection

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from the proposals. The Government of India accepted this and imposed a 5 per cent tariff and excise in 1894; two years later renewed pressure by Lancashire on the Secretary of State secured a reduction of the tariff (and the excise) to 3½ per cent.[15]

Lancashire's successful campaign for a cotton excise has often been seen as a glaring example of the exploitation of Indian interests by British manufacturers. This is not the place to enter upon that controversy; however it is worth pointing out that the issue of the cotton excise has tended to obscure the significance of the imposition of a revenue tariff. The excise has been castgated by those who felt, and who feel, that the Government of India should have given protection to the developing Indian cotton industry against the more advanced British one. It is equally significant that, at a time when British goods were being granted preference against foreign competitors in Canada, New Zealand, and Australia, no question of imperial preference in India was considered. The imposition of tariffs in 1894 caused little fuss in Britain (except for within the cotton industry) because the five per cent level was so low, but the events of the early 1890s had demonstrated that in he event of a financial crisis in India the Government of India could and would impose a revenue tariff on British imports. By the 1920s revenue tariffs were the largest single source of governmental income in India.

The next financial crisis in India, that of 1907-09, demonstrated how insecure was the basis of the Government of India's free trade policy. The monsoon failures of 1907 and 1908 cut the level of agrarian production, and an acute industrial depression around the world lessened the demand for Indian raw materials. This resulted in a temporary deficit in India's balance of commodity trade, a drastic fall in the overall balance of payments surplus and a severe exchange crisis. In order to meet their exchange commitments the Government of India had to float loans in London. The cost of these, coupled with a falling off of the land revenue and customs revenue, reduced the budgetary surplus of 1907-08 to nothing and caused a deficit of almost £4,000,000 in 1908-09.[16] The financial outlook remained gloomy and in 1909 the Finance Department started to look around for extra revenue. Given the state of agriculture and the new voice of Indian opinion on the Legislative Council after Lord Minto's reforms of 1909, increasing the revenue tariff was the only possibility. Leaving aside the cotton duties, the Government of India proposed to increase the general revenue tariff to 7½ per cent and to impose a tariff of 2½ per cent on those goods (mainly Indian industrial

15 See T. D. Rider, 'The Tariff Policy of the Government of India and its Development Strategy 1894-1924,' Ph.D. thesis, Minnesota, 1971, Chapter II; P. Harnetty, 'The Indian Cotton Duties Controversy 1894-96' in *English Historical Review*, 1962, pp. 684-702.

16 *Moral and Material Progress and Condition of India during the Year 1911-12 and the Nine Preceding Years*, p. 153.

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inputs) that had been exempted in 1894. When these proposals were sent to London Lord Morley, the Secretary of State, objected that they amounted to a tax on British exports. He asked for action to be postponed for a year in the hope that world trade would pick up again. By 1910 the major financial problems of the Government of India had indeed been solved by an export boom and a strengthened rupee.[17] Thus there was no further major revision of the revenue tariff before 1914, but the events of 1909 had shown what was likely to happen the next time the Government of India got into financial difficulties. Economic problems in India could also limit the imperial role of the Indian army. In the 1860s, 70s, 80s, and 90s the Indian army had proved its worth against minor native powers that crossed the path of expanding British ambitions. The Government of India had never been completely happy with this role; every time the British Government had called on India to supply troops for outside service (except in the case of the Burmese Wars) a bitter dispute had followed as to how much each government should pay. By 1896 a formula had been worked out by the India Office—the proportion of expense to be borne by the Government of India should depend on how greatly Indian interests were at stake in the result of the campaign. This only left the question of who was to decide whether or not India's interests were at stake. In 1900 the *Royal Commission on the Administration of the Expenditure of India* surveyed this whole matter and came to the conclusion that India should pay most of the cost of expeditions to Egypt, Persia and the Gulf, Afghanistan and Central Asia, and Siam; and some of the cost of expeditions to East Africa. But it also concluded that 'special cases may arise giving to India a direct and substantial interest in [and hence a duty to bear most of the cost of] questions connected with Europe or other territories to which the minute declares her to have, as a general rule, no interest.'[18] The question of how much India was to pay when her troops were used for imperial purposes remained one of the chief matters of dispute between London and Delhi until the Second World War.

There were also limitations on the type of opponent that the Indian army could tackle. During the late 1880s and 1890s British statesmen were increasingly worried that their Empire, 'some huge giant sprawling over the globe, with gouty fingers and toes stretched in every direction',[19] was under threat from a number of powerful rivals—the Russians, the Germans, the Japanese, and even the Americans. It was towards India that Russian ambitions turned, or appeared to turn in the nightmares of the British defence planners. The Committee for Imperial Defence, founded in 1902, spent over

[17] Rider, *op. cit.*, pp. 92-98.

[18] *Final Report of the Royal Commission on the Administration of the Expenditure of India*, Cmd 131, 1900, p. 139.

[19] Sir Thomas Sanderson, quoted in M. Howard, *op. cit.*, p. 11.

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half its time for the first three years of its life discussing the Russian threat to India. It had always been accepted that the Indian army could not take on the Russians alone; in 1902 the Commander in Chief, India, had estimated that he would need 30,000 troops from the United Kingdom to counter a Russian advance against the Oxus (fighting against Russia was, needless to say, to take palce in Afghanistan, not India). In 1900 Lord Curzon demanded 30,000 men immediately and another 70,000 if war were prolonged; by 1904 increased Russian mobility had pushed the requirements up to nearly 160,000 at once, with another 300-400,000 in the second year of the war. In 1907 the Committee for Imperial Defence scaled down this demand to 100,000 troops immediately and refused to commit itself on the question of reinforcements (for which Kitchener's figure had now risen to 500,000). Even this commitment would leave very few troops in barracks in the United Kingdom. The financial crisis in India also imposed constraints upon the defence planners. In 1904 Kitchener had proposed reforms in the army designed to adjust it to the demands of large-scale warfare; these reforms were to cost over £2 million per year for the years 1904-09. In 1907 this expenditure had had to be scaled down and in 1909 it was abolished. Not surprisingly the British Government's reaction to all this was to come to a *detente* with Russia in 1907. The Government of India protested that this would encourage Russian ambitions in Afghanistan but, since the British tax-payer would have to meet the cost of a Russian war, the British Government did not listen.[20]

Mounting demands from within India for a greater share of governmental resources provided the final constraint on the Government of India's imperial role. In the late nineteenth century the structure of government in India was still extremely centralized. The Government of India Act of 1858, by which the East India Company's rule was ended and India was put under the direct control of the British Crown, created a rigid hierarchy of power from the Secretary of State in London, through the Government of India to the provincial governments. Nowhere was this centralization more important than in the administration of government finance. The bulk of Indian revenue, including the staple land revenue, was collected in the provinces, but it was all sent up to the Government of India. The centralized empire of 1858 was a magnificent structure, but it was also a hollow one. It could not raise enough revenue to keep itself going and it contained no machinery by which, short of rebellion, its subjects could attract its attention. The Government of India was constantly in financial difficulty in the second half of the nineteenth century. The cost of the Mutiny, fluctuations in the rupee exchange rate, and provincial schemes of public works and social reform all required in-

[20] *Ibid.*, pp. 13-20; *Moral and Material Progress and Condition of India during the Year 1911-12 and the Nine Preceding Years*, p. 327.

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creased expenditure, while the traditional revenue resources of land, opium, and salt taxes were largely inflexible. New forms of taxation were required, but the Government of India did not know enough about its subjects to be able to devise and administer effective and safe new taxes. Devolution was the only answer.

This devolution took two forms. Firstly, provincial and local administrations (in the form of provincial governments and district and municipal councils) were encouraged to find new revenue resources and to exercise economy in the spending of them by being allowed some autonomy of administration. Secondly, representative Indians, nominated at first and then elected, were increasingly associated with these local and provincial administrations. In 1870-71 the Viceroy, Lord Mayo, made the major provincial administrations responsible for the running of many of their own departments, including police, jails, education, and the building of roads. During the 1870s, 1880s, and 1890s the provincial governments were allowed to retain a larger and larger share of the revenue that they had collected, only the money from 'imperial' sources—customs, salt, land revenue, and posts and telegraphs—being sent up to the Government of India. The provinces could not raise enough for their own needs, however, and a series of quinquennial settlements had to be made by which a set proportion of the land revenue was given back to the province in which it was collected. At the same time, the power of Indian representatives in local government was increased. It was thought that Indian members of municipalities and district boards would be more efficient in raising, and more careful in spending, local taxes if they were responsible to an electorate. Thus in the United Provinces each successive financial crisis since the 1860s had resulted in municipal government becoming more representative. Baring and Colvin, the Finance Members of the Government of India in the early 1880s, were the main supporters of Lord Ripon's attempts to make the structure of local government democratic.[21]

The administrative changes of the late nineteenth century never completely solved the financial problems of the Raj. Limited devolution was not enough. Even in the 1880s, when the provincial governments retained all the receipts from law and justice, education and public works and the provincial rates and half the proceeds of the forests, excise, stamp tax, registration fees and licence (income) tax, they had not sufficient funds to release the whole of the land revenue for the use of the Government of India. Granting administrative responsibility encouraged greater, not less, expenditure. Nor could Indians be given political power only as it suited the fiscal needs of the

[21] See F. C. R. Robinson, 'Consultation and Control: The United Provinces' Government and its Allies 1860-1906' in *Modern Asian Studies*, 1971, 5, 4, p. 325; A. Seal, *The Emergence of Indian Nationalism*, Cambridge, 1968, p. 153.

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Raj. As Evelyn Baring pointed out in 1883, 'when once the ball of political reform is set rolling, it is apt to gather speed as it goes on.'[22] By 1914 administrative, financial, and political pressures for further devolution were growing space. Were they to be accommodated, then the imperial resources of the Government of India would be limited still further. While there was no financial autonomy in the provinces the Government of India was able to enjoy a share of the land revenue and, in time of crisis, to eat up provincial surpluses to meet imperial commitments. This system helped the Government of India to survive the exchange difficulties of the 1890s but, as the *Royal Commission upon Decentralisation in India* discovered in 1908, the days of 'divided' revenue heads (collected by the provinces and spent by the centre) were numbered.[23]

In 1913, then, India still had a large part to play in supporting the British world system of profit and influence, but it was a role less solidly based than it appeared. Bad harvests in India, a depression in world trade, a change in the balance of power in Asia which would place new demands on the Indian army, a decline in the competitiveness of British exports or the emergence of rivals for the Indian market, a serious disturbance in the exchange rate of the rupee, increasing demands for the protection and encouragement of Indian industries, the need to devote more revenue to buying off the demands of Indian politicians for a share in the resources of government—all these could jeopardize the delicate balance that the Government of India had struck between fulfilling domestic and imperial commitments. The Government of India could still fulfil traditional imperial roles so long as no sudden or unexpected demands were made; but the outbreak of war in Europe in 1914 was to be the death-knell of the self-regulating British empire and of India's days as the glorious jewel in the British imperial diadem.

* * *

The new demands which the United Kingdom made upon her colony in 1914-18, coupled with the drastic effects of the war on world trade, placed an enormous strain upon the Government of India, by 1916 India had, in the words of the Viceroy, been bled 'absolutely white.' Her major contributions had been in supplying man-power, money, and materials for the war effort. In 1914 Indian revenues had been supporting 80,000 British troops and 230,000 Indian ones (including noncombatants). During the war the Government recruited over 800,000 combatants and over 400,000 noncombatants. These vast numbers of new troops had to be paid for. The Imperial Government had agreed to cover the 'extraordinary' expenditure that the Govern-

[22] Quoted in Seal, *op. cit.*, p. 161.

[23] *Royal Commission upon Decentralisation in India, Vol. I, Report*, Cmd 4360, 1908, p. 25.

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ment of India incurred during the war, but military expenditure chargeable to Indian revenues rose from £20 million in 1913-14 to £30 million in 1917-18. In practice the 'extraordinary' expenditure, too, had to come out of the Government of India's coffers since although the Imperial Government gave a credit for it there was no way of remitting this money from Britain to India. In 1917-18 the Government of India's 'imperial' expenditure was over £110 million (including the Home Charges); in 1918-19 the total was £140 million. In addition, in 1916 the Government of India took over £100 million of the British Government's war loan. By minting vast numbers of new silver rupees (the silver for which was bought by London), by contracting £75 million worth of War Loans in India, and by raising its revenue by 16 per cent in 1916-17, by a further 14 per cent in 1917-18 and by a further 10 per cent in 1918-19, the Government of India managed to make ends meet at the cost of a national debt of £370 million and of severe financial difficulties after the war.[24]

The war also had a drastic effect on the pattern and level of Indian trade. The first year of the war saw a considerable fall in both Indian exports and imports. Shortage of shipping, an embargo on trade with Germany and Austria, and the gearing of other allied economies to Britain's war needs, all contributed to this and continued to depress the level of Indian trade throughout the war. The Government of India took steps to ensure that Indian industry, too, made a contribution to the war effort. In 1915 restrictions were placed on the export of hides to anywhere except Britain; a similar ban was put on raw and manufactured jute exports and partial bans imposed on cotton, raw wool, foodgrains and oils and most metals. Both India's export and internal trade were also severely affected by the strain on the railways caused by military activity. There was no new investment in the railways during the war and India had also to construct and supply the lines needed for the Mesopotamia campaign. By the end of the war there was a severe shortage of rolling stock and the Government of India estimated that 'a long time must elapse before Indian railways can be brought up to the pre-war standard of efficiency.'[25]

The strains on the Indian economy caused by the war had a drastic effect on everyday life. The problems of transportation and remittance had led to a considerable rise in the prices of India's main imports—cotton piecegoods, sugar, iron and steel, salt and kerosine—and had also disrupted the established patterns of production and distribution within India. In 1917 good harvests had kept the price of agricultural produce low, but profiteering and shortages had raised the price of salt, oil, spices, cloth, and kerosine to abnormally

[24] See *Moral and Material Progress of India during the Year 1917-18.*
[25] *Ibid.*, pp. 95, 106-07.

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high levels. In 1918 increased military activity, large new recruitment, and a considerable expansion in the production of munitions, coupled with an increased army demand for food and cloth, occurred at the same time as a failure in the monsoon. Famine and epidemic disease broke out for the first time in ten years. Strikes and agrarian unrest grew; only the slowing down of the war effort as the armistice approached kept the situation within bounds.

Both the disruption of trade and the demand for war supplies encouraged a significant growth in Indian industrial activity during the war. Most of this activity was in import substitution industries rather than in production for export. While the export-orientated jute and tanning industries declined or stagnated, the cotton industry began to produce more for the home market and the iron and steel, cement, sugar, engineering, and chemical industries expanded. The war did not create an industrial boom in India—the shortage of capital and of imported machinery prevented that—nor did it produce a complete break with what had gone before—many of the new developments had in fact been building up in the pre-war years. But it did create an important new source of pressure upon government tariff policy. Indian industrialists now thought of supplying the home market. Temporarily protected from outside competition, the new enterprises, and old ones that had enjoyed increased home demand, would suffer from a return to pre-war conditions. Before the war Indian industrialists had been able to live with the modified free trade policy of the Government of India. But the enterprises that had developed during the war had, in practice, been operating in a protected market and would bitterly oppose any attempts to return to a free trade policy once the war was over.[26]

India's large contribution to the imperial war effort had to be paid for. The cost was presented to the Government of India in two forms—the need simply to find adequate finance to sustain India's effort throughout the war, and the need to assuage Indian political demands and agitations that had grown out of the sufferings and disruptions caused by India's role as an imperial appendage. The resources to meet both the financial and the political cost of India's war effort were found by reducing India's future role in the British imperial system. Britain had been able to command large amounts of support from India in her time of need, but the strains that this had caused meant that in more normal times British imperial interests in certain vital fields would be subordinated to Indian domestic requirements.

The first sign of this came in 1916. By then the Government of India needed desperately to raise additional revenue. As in earlier crises, the officials turned to a revenue tariff on imports. In fact, there was little alternative;

[26] *Report on the Conditions and Prospects of British Trade in India*, Cmd 442, 1919, Part II; Rider, *op. cit.*, pp. 240-65; A. K. Bagchi, *Private Investment in India 1900-39*, Cambridge, 1972, pp. 78-81.

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other less imperially sensitive revenue sources, such as income tax, were also being screwed up as high as they would go. In March 1916 the 1910 tariff proposals of a 7½ per cent general rate were revived. The Government of India wanted to remove the excise on Indian products completely, but realized that revenue considerations would not allow this yet. It also proposed that the cotton tariff, but not the excise, should be raised. The Home Government refused to allow any increase in the cotton tariff, but accepted the other tariff increases without demanding a counter-vailing excise. The raising of the general tariff without a similar raising of the excise, an example of 'protectionism' that London had never before allowed, seemed to mark a new departure in the tariff policy of the Government of India. Nor were British cotton manufactures to escape for long. The Government of India's £100 million gift of 1917 had to be paid for both materially and politically and the Cabinet now accepted that British cotton manufacturers would have to play a part. When the question of an Indian monetary contribution to the British war effort had first been raised in October 1916, Delhi had suggested a sum of £50 million. But the Home Government wanted more than this and the Government of India eventually accepted the figure of £100 million, but only on condition that the cotton tariff could be raised to 7½ per cent. The Viceroy and the Secretary of State also wanted to abolish the cotton excise completely, arguing that 'there is no single announcement which would do more to unite Indian opinion' in favour of the proposed contribution. After testing opinion in Lancashire and in Japan (which sent 1/6th of her cotton goods exports to India in 1916) the Cabinet allowed the tariff increase but insisted that the excise be retained at 3½ per cent.[27] In March 1917 when an angry deputation of Lancashire manufacturers protested to Austen Chamberlain about the tariff increase he told them that the political implications in India of refusing the increase would have jeopardized the whole Indian war contribution.[28]

The major effect of the war on Indian affairs was the acceleration of various schemes of constitutional reform, culminating in the Government of India Act of 1919. The new cry was for a statement by the British Government of its eventual aims in India, rather than for more piece-meal and supposedly evolutionary schemes. By April 1916 the pressures on the Government of India for an announcement of British long-term policy had become inexorable. With the two major Indian political associations, the Congress and the Muslim League, about to bring out their own reform proposals, a promise of striking advances after the war was needed to attract the 'moderates' to the support of the government. In November 1916 the Government of India

[27] CAB 23/1 War Cabinet no. 24 of 1.1.17; no. 48 of 30.1.17, Appendices.
[28] Rider, *op. cit.*, pp. 264-78.

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passed a long resolution proposing a definite goal for British policy—'the endowment of British India as an integral part of the Empire, with self-government'—and some steps towards attaining it, including increased representation in local government and on provincial councils and an increase in the proportion of Indians in the higher reaches of the civil service.[29]

This resolution was considered first by the India Office (which criticized it as not handing over enough financial and administrative responsibility to Indians to attract useful collaborators) and then, in June 1917, by the War Cabinet. The Cabinet discussion was dominated by a clash between Edwin Montagu, the Secretary of State, and Lord Curzon and Austen Chamberlain over the implications in India likely from any broad statement of future policy. All, however, were agreed that the Government of India's formula was too vague and cumbersome and by August the Cabinet had come up with one of its own, which formed the basis of Montagu's subsequent declaration:

> The policy of H.M. Government. . . is that of increasing association of Indians in every branch of the administration, and the gradual development of self-governing institutions, with a view to the progressive realisation of responsible government in India as an integral part of the British Empire.[30]

The Cabinet also directed Montagu to go out to India to draw up the principles of a scheme of constitutional reform on this basis.

One of the most striking points about the discussions surrounding the 1919 Government of India Act is that no one considered how the reforms might affect India's imperial role. To most members of the Cabinet (excluding Montagu) the purpose of the constitutional changes was purely defensive—not to reward India's efforts during the war, not because any milestone had been passed in the evolution of Indian political opinion, but because 'if the Government does not take charge of the operation, someone else will . . . and there may easily grow up a disaffection that would soon become dangerous.'[31] The devolution of increased political power and responsibility onto Indians was simply a device to buy support. It was clear to the Government

[29] S. D. Waley, *Edwin Montagu*, London, 1964, p. 132.

[30] *Ibid.*, p. 136; see also CAB 23/3, War Cabinet no. 214 of 14.8.17. The discussion in the Cabinet had been over whether 'responsible government' or 'self-government' was to be the formula used. Under Curzon's prompting 'responsible government' was selected although, as Montagu pointed out, 'It requires a better educated man than myself to know the difference, but if it lies anywhere, "responsible Government" I should have thought, pledges more than "self-Government".' S. D. Waley, *Edwin Montagu*, London, 1964, p. 135.

[31] CAB 24/17, GT 1199 Memo on Indian Reforms by Lord Curzon 27.6.17.

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of India, to the Home Government, and even to Montagu that 'the Government of India... was concerned with the supreme interests of the country and was not the right sphere in which to initiate constitutional changes.'[32] The 1917 declaration had promised advance to eventual self-government within the empire; as Montagu pointed out to the House of Commons in February 1922, such advance was conditional on Indian 'good conduct' and, in the imperial context, this included loyalty to the empire. If Indians refused to use their increased power to play a part in the imperial system Britain would and could return to coercion.[33]

But in practice the reforms of 1919 did affect the Government of India's ability to respond to imperial demands. The Act created a Central Legislative Assembly in which Indian politicians could debate government policy. Although they had no powers to pass or reject legislation without the Viceroy's consent, the Government of India now had to take into account Indian opinion—constantly, articulately, and constitutionally expressed. The Act also aimed to give some power to Indian politicians in the provinces. Indian control in the provinces, it was thought, would not affect India's imperial role as the areas of government to be handed over—education, local self-government, public health, labour, and industry—were of purely domestic concern. But this was a miscalculation. For the reforms to work in the provinces the Indian politicians had to be given financial resources adequate to reward their followers. Thus the whole centralized system of governmental finance had to be overhauled. Increasing the resources available to the provinces meant limiting those of the Government of India at the centre.

Once the need for Indian participation in provincial government was recognized, increased financial decentralization became necessary. The Montagu/Chelmsford report of 1918 and the parliamentary Joint Select Committee on the 1919 reforms both recommended a complete separation of provincial and central revenues. In 1920 a definite scheme was worked out whereby the provinces were to receive all receipts from land revenue, irrigation, excise, and general stamps while the Government of India's income was to be based on opium and salt taxes, income tax, and the revenue tariff. The provinces would gain Rs 18,50,000 p.a. in revenue (at an average of Rs 2,55,000 each); the Government of India would lose Rs 10,00,000 p.a. To compensate for this the provinces were to make annual contributions to the central exchequer totalling Rs 9,83,000 (reducing their revenue increase to Rs 8,67,000, an average of Rs 96,000 p.a.).[34] This arrangement, known

[32] CAB 23/6, appendix to War Cabinet no. 428 of 17.6.18, Note by Mr. Montagu 29.5.18.

[33] CAB 23/29, Conference of Ministers 9.2.22; Waley, *op. cit.*, p. 270.

[34] *Report of the Committee appointed by the Secretary of State for India to advise on the question of the Financial Relations between the Central and Provincial Governments in India* [Meston Committee], Cmd 724, 1920, pp. 3-8.

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as the Meston Award, caused great annoyance to the provincial governments and the system of provincial contributions lapsed in 1927-28 after only six years.[35] All the provinces, especially Madras, complained bitterly about their contributions, and one, Bengal, was allowed to cease payments after only one year (thus depriving the Government of India of 19 per cent of its provincial contributions). The Government of India was now dependent on the income tax and the customs for raising substantial amounts of new revenue: raising the income tax would be unpopular in India; raising the customs tariff would be unpopular in Britain. In the political circumstances of the 1920s it was to be Lancashire, not Bombay, that would suffer most.[36]

By 1919 the Government of India had already won autonomy from London for its tariff policy under the terms of the 'fiscal autonomy convention.' In 1916 the need to finance India's war effort had forced London to allow an Indian tariff that was clearly protectionist in effect, if not in theory. At the same time the Government of India had announced that the whole basis of its tariff policy would be reviewed once the war was over. Schemes of imperial tariff reform and preference, including India, were circulating freely in Britain at the end of the war and the British experience with the Dominions had shown that internal tariff autonomy was an essential part of any scheme of mutual preference. These factors, coupled with the growth of import-substitution industries in India during the war, helped to prepare the ground. In their 1918 report, Montagu and Chelmsford suggested fiscal autonomy for India on economic and also on political grounds:

> So long as the people who refuse India protection are interested in manufactures with which India might compete, Indian opinion cannot bring itself to believe that the refusal is disinterested or dictated by care for the best interests of India.[37]

The idea of fiscal autonomy was picked up by the Joint Select Committee on the Government of India Bill and written into the legislation as a convention that 'the Secretary of State should, as far as possible, avoid inter-

[35] In 1908 the Royal Commission on Decentralisation had considered various schemes to separate provincial and central revenues completely with the provinces making contributions to the Government of India, but had rejected them all as likely to cause tension between the centre and the provinces and giving the impression in the provinces of paying tribute to an outside and hostile Government of India. *Royal Commission on Decentralisation in India, Vol. 1, Report*, Cmd 4360, 1908, p. 32.

[36] Interestingly enough, when Meston and his colleagues were consulting the provincial governments over their contributions they found that 'it has been pressed upon us that the Government of India ought to meet their own deficit by special taxation, and a high protective tariff has frequently been mentioned to us as an easy solution to the problem.' *Ibid.*, p. 5.

[37] *Report on Indian Constitutional Reforms 1918*, Cmd 9109, 1918, para 342.

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ference when the Government of India and its Legislature are in agreement.[38]

As it eventually emerged, the fiscal autonomy convention was not quite what Montagu and Chelmsford had envisaged in 1918. It was only a convention; a bargaining counter for the Government of India against Indian and the British critics of its tariff policy. Montagu interpreted the convention to mean that London could not interfere in an established Government of India tariff policy, but later Secretaries of State were not prepared to be so passive. In 1923, for example, Lord Peel reminded the Viceroy that the convention did not apply until the Government of India had worked out a definite proposal and that London would have to be consulted before matters ever reached that far.[39] It is true that no Secretary of Sate in the 1920s raised serious objections to any tariff proposal, but this was a political calculation and, as the events of 1930-31 were to show, in certain circumstances London would consider the political consequences of Government of India tariff policy in Britain to outweigh the consequences in India.

Of itself the 1919 Government of India Act produced no new formal limitations of India's imperial role, but the Government of India's imperial role was not itself formal, it was simply a reflection of its ability at any given point to respond to the demands of British policy-makers for commercial, financial, or military assistance, balanced by the domestic demands of Indian opinion and the limitations of its own exchequer. Thus when, in the early 1920s, the Government of India took up an attitude which severely damaged British military and commercial expectations, this new stance was based on the old considerations of financial stringency and domestic political pressure, not on any new formal constitutional arrangements.

From 1920 to 1923 the Government of India suffered another major financial and exchange crisis. The appreciation of the rupee during the war continued for a year after the armistice; in December 1919 the sterling/rupee exchange rate stood at 2s 5d, 75 per cent up on the pre-war level. This rise was due to India's large positive balances of trade during the war and a heavy demand for rupees to pay for India's exports, coupled with the remittance difficulties and the high price of silver in the war years. In February 1920, acting on the advice of the Babington-Smith Committee (*Committee on Indian Exchange and Currency 1919*), the Government of India tried to hold the rupee at 2s gold. But a sudden contraction of world trade revealed the rupee as over-valued against other world currencies and by mid-1920 India was running a balance of trade deficit, rupees were less and less in demand and at the end of September the expensive attempt to maintain the exchange

[38] CAB 24/166, CP 299(24) Memo on Indian Fiscal Policy by the Secretary of State 13.5.24.

[39] Secretary of State to Viceroy (Commerce and Industry Department) undated [December 1923] Baldwin MSS E 1 93.

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rate was abandoned. In 1921 the value of the rupee fell to 1s 3d sterling (1/- gold) and then slowly rallied to 1s 4d sterling in January 1923 and finally to 1s 6d sterling in October 1924.[40] The Indian balance of commodity trade, on which so much of the system of government and imperial finance depended, showed a deficit of Rs 798 million in 1920-21 and Rs 339 million in 1921-22.[41]

The trade situation, the falling exchange rate, and other commitments had a disastrous effect on the finances of the Government of India. The bad monsoon and trade depression added to high military expenditure had caused a deficit of Rs 6 crores in 1918-19; the Afghan War of 1919 caused a deficit of Rs 24 crores in 1919-20; the depression in the export trade, a bad monsoon, and the cost of the falling exchange rate caused a deficit of Rs 21 crores in 1920-21: in 1921-22 agricultural and trade depression caused a short-fall in all major revenue heads, while the losses on exchange, the higher interest charges on sterling debts and increased military expenditure caused a deficit of Rs 33 crores. To make good this deficit, the Government of India had to borrow in London and between March 1919 and March 1923 had increased its public debt from Rs 411 crores to Rs 781 crores.[42] In June 1922 this avenue seemed to close also, for a Government of India loan of £12.5 million floated in London was immediately quoted at ¾ to 1 per cent discount and 63 per cent of it was left in the underwriters' hands.[43] Increasing revenue and decreasing expenditure seemed to be the only answer, but increasing revenue meant raising the tariffs and decreasing expenditure meant cutting the army budget. Thus a domestic crisis again compromised the Government of India's imperial commitments.

To avoid drastic retrenchment, win the support of the Indian representatives in the Central Legislative Assembly, and to deprive Gandhi's non-cooperation campaign of an issue on which it could rally massive support,

[40] *Royal Commission on the Indian Currency and Finance 1926, Vol. II Appendices*, Appendix III; Bagchi, *op. cit.*, pp. 62-64.

[41] Indian commodity trade 1918-19 to 1923-24 (in Rs millions):

	Imports	*Exports*	*Surplus/Deficit of Exports*
1918-19	1,886	2,553	+667
1919-20	2,217	3,360	+1,143
1920-21	3,476	2,678	—798
1921-22	2,826	2,487	—339
1922-23	2,462	3,161	+699
1923-24	2,372	3,634	+1,262

SOURCE: *Statistical Abstract of British India.*

[42] *Moral and Material Progress and Condition of India during the Year 1920*, pp. 78-79; ditto 1922-23, p. 107.

[43] Reading, *Rufus Isaacs 1914-1935*, London 1945, p. 212.

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the Government of India decided to raise the revenue tariff in 1921. The proposals were for an increase in the general rate, including cotton, and a new high tariff on certain luxuries. The Indian MLAs responded eagerly to an opportunity to raise the cotton tariff; on this occasion the protests of Lancashire were unavailing. Anxious to underline the implications of the fiscal autonomy convention, and concerned about the impact of continued budgetary deficits on India's credit-worthiness, Montagu supported the Government of India.[44] But raising the revenue alone was not enough; some cuts in expenditure were also necessary. The most obvious and expedient place to make economies was in the army budget. It was unfortunate that, just when the Government of India had reached this decision, the British defence planners suddenly decided that they had a new, extensive, and expensive imperial role for the Indian army to perform.

In 1918 the British had found themselves heirs to the old Turkish *vilayats* and Russian spheres of influence in the Near and Middle East.[45] Britain and her Arab allies had conquered Palestine and Syria, and had helped to liberate the *Hejaz*; the Indian army had occupied Mesopotamia (Iraq), had overawed the Persians and had supported Ibn Saud in Arabia. At the same time the collapse of Russia and the eastward advance of the Turkish armies had stimulated the Government of India to send troops to hold the line between Batum on the Black Sea and Baku on the Caspian, and this in turn encouraged the independent republics of Georgia, Armenia, Azerbaijain, and Daghistan. British policy-makers began to think of the advantages of retaining these new outposts of empire—Palestine, the Basra and Baghdad *vilayats* of Iraq, Kuwait and spheres of influence in Persia and southern and western Arabia were to be woven into the imperial tapestry.[46] To Lord Curzon, at least, the reasons for these advances were clear: 'You ask why should England do this? Why should Great Britain push herself out in these directions? Of course, the answer is obvious—India.'[47]

Such grandiose schemes looked attractive in the romantic twilight of the closing months of the war. But in the cold light of peace, with a financial crisis and demands for social reform in Britain, and with the Turks and the Red Army moving against the new outposts of empire, a line had to be drawn between luxuries and necessities. By the end of 1919 informal control had been deemed sufficient for Persia and Southern Russia and the Greeks had been encouraged to attack Turkey. In Iraq, too, the fear of Russian or

[44] See Rider, *op. cit.*, pp. 301-05.

[45] This section covers ground first explored by Prof. J. A. Gallagher in the 1974 Ford Lectures.

[46] CAB 27/22, conclusions of Eastern Committee 19.3.17.

[47] CAB 27/24, shorthand notes of Eastern Committee Meeting 9.12.18. Ironically, it was Montagu who was the recipient of this homily.

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Turkish invasion, and of the commercial infiltration of French and American oil companies, was not strong enough to outweigh the £30 million needed each year to maintain the grarrison.[48] In June 1920 the Secretary of State for War and the Chief of the Imperial General Staff reported to the Cabinet that Britain's forces were severely overstrained in this theatre and that the only way to avert eventual disaster was to withdraw.[49] In December of that year, in view of the 'growing demand at home for retrenchment,' the Cabinet authorized the withdrawal of British troops in Persia to the line of defence of the Basra oil-fields and the cutting of the garrison in Iraq to a minimum.[50]

There was only one alternative to a curtailment of direct British influence in the Middle East—the employment of the Indian army in its traditional role as a cut-price Imperial garrison.[51] In the mid-1920 India was contributing ten infantry battalions to the garrison in Iraq, nine in Egypt, seven in Palestine, six round the Black Sea and smaller formations in Malaya, North China, Hongkong, Aden, Cyprus, and the Persian Gulf.[52] In view of the necessity of withdrawing British troops from Iraq, the Government of India was then invited to provide an additional 39½ battalions of infantry and pioneers, four regiments and a troop of cavalry, ten companies of sappers and miners, and four companies and a troop of signallers. The Viceroy was warned that this contribution was only a beginning.[53] In 1919 military expenditure resulting from the Afghan war had caused a deficit in the Government of India's budget: Britain's new demands on India would push the cost of the army up to £60 million a year (40 per cent of the net revenue of India). Delhi argued that such a commitment would cause a complete breakdown in the political situation in India—the C.L.A. would refuse to vote any new taxes and if the Viceroy used his special executive powers under the 1919 Act, the Indian members of his Executive Council would resign.[54] In these

[48] CAB 23/20, conclusions of Conference of Ministers 23.1.20; CAB 23/21, ditto of 18.6.20; CAB 23/23, 69(20) of 13.12.20.

[49] CAB 23/22, conclusions of Conference of Ministers 18.6.20.

[50] CAB 23/23, conclusions of Conference of Ministers 1.12.20.

[51] Actually there was one other alternative—calling on the Dominions to supply troops. At the suggestion of the General Staff, the Dominion governments were invited to send troops to Iraq at Britain's expense. Predictably, all refused except New Zealand—which offered both a battalion and the money to pay for it. In view of the other refusals, the Cabinet reluctantly turned down this offer. CAB 23/22, 41(20) of 15.9.20, 53(20) of 30.9.20.

[52] CAB 4/7, 252-B Memo on 'Naval, Military and Air Obligations devolving on India' 13.7.20. There were another 45 British and 105 Indian infantry battalions in India as well as 8 British and 24 Indian cavalry regiments.

[53] CAB 6/4, 119-D Telegram 11581 of 3.9.20, Viceroy Army Department to Secretary of State.

[54] *Ibid.*, 117-D Note 'Indian Military Expenditure' by Finance Dept. India Office, circulated 7.12.20.

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circumstances the Government of India refused to accept 'an obligation to supply permanent overseas garrisons to mandated territories'[55] and the Secretary of State pointed out:

> So far as India is concerned, all idea of initiating as a normal peace measure a scheme, whereby she is to become the base for vast military operations in the Middle and Far East, must be definitely abandoned; if public opinion in India would tolerate it, Indian revenues cannot bear the charge. Even more modest schemes under which India is to be asked to furnish large military garrisons in the Middle East in times of peace, will have to be modified. In short, we must definitely get out of our heads the vague idea too often entertained, that India is an inexhaustible reservoir from which men and money can be drawn towards the support of Imperial resources or in pursuance of Imperial strategy.[56]

Indian garrisons in Iraq were not all that was at stake here. In the brave days of 1919 the British Government had been completely reviewing India's place in the system of imperial defence. The *Army in India Committee* (Esher Committee) had been set up to investigate the future imperial role of the Indian army, and to examine the tortuous chain of command over it, especially the relationship between the C.I.G.S., the War Office, the India Office, the Viceroy, and the Commander in Chief, India. Early in 1920 this committee submitted its report, which began ominously: 'Novel political machinery created by the Peace Treaty has enhanced the importance of the Army of India relatively to the military forces of other parts of the Empire, and more particularly to those of the British Isles.' The report went on to hint that as mobilization halted in Britain the Government of India should prepare itself to intervene in Eastern Europe and the Near and Middle East should the occasion arise. This commitment would involve considerable, and expensive, reforms in the Indian army and would necessitate bringing the command of the army under the C.I.G.S. The freedom of action of the Secretary of State and of the Governor-General-in-Council were to be limited, the Commander in Chief, India, was to be the sole military adviser to the Viceroy, the C.I.G.S. was to be the sole military adviser of the Secretary of State, and the Military Department of the India Office was to be abolished. When the army was used in an imperial role, direct commands were to go from the C.I.G.S. to the Commander in Chief, India.[57]

Both the India Office and the Government of India protested loudly about

[55] *Ibid.*, 119-D Telegram 11581 of 3.9.20, Viceroy Army Dept. to Secretary of State.

[56] *Ibid.*, 118-D 'Indian Military Expenditure' Memo by Secretary of State for India 24.12.20.

[57] CAB 6/4, 115-D 'Report of the Army in India Committee 1919-20 Part 1.'

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the implications of this report. They emphasized the political and financial limitations on using Indian resources for imperial military needs, and stressed the importance of retaining the full powers of the Secretary of State and the Viceroy in the chain of command. Both made it clear that the Indian army should not, normally, be used outside India's borders and that its costs must be scaled down, but boosted up to meet imperial requirements. It was pointed out that Indian moderates and even British residents in India were very sensitive on the question of the 'exploitation' of the Indian army, and that, even though the direct costs of the Indian troops abroad were to be met by the imperial government, the problems of demobilization, compensation pay for overseas service, and the uncertainties of resultant future commitments, all put up the expenditure of the Government of India.[58] In a despatch to the Secretary of State the Government of India quoted approvingly the resolution of the Central Legislative Assembly that:

> ...the purpose of the Army in India must be held to be the defence of India against external aggression and the maintenance of internal peace and tranquillity....[It] should not as a rule be employed for service outside the external frontiers of India except for purely defensive purposes or with the previous consent of the Governor-General in Council in very grave emergencies....[59]

After a flurry of memos and bitter arguments between the Secretary of State for India and the War Office the whole matter was taken up by a sub-committee of the Committee for Imperial Defence. This eventually reported in June 1922 and its recommendations were approved by the Cabinet in January 1923. The new proposals cancelled out the Esher Committee plans almost completely. The Viceroy and the Secretary of State for India were restored to a central position in the Indian army command and were to be consulted on the political and financial situation in India before any Indian contribution to imperial schemes was considered.[60] The C.L.A. resolution on the Esher Committee Report was singled out as stating 'accurately and concisely the objects for which the Army in India exists.' On the employment of the Indian army overseas:

> It is recognised that the Indian Army cannot be treated as if it were absolutely at the disposal of His Majesty's Government for service outside India.

[58] *Ibid.*, 119-D Telegram 11581 of 3.9.20, Viceroy Army Dept. to Secretary of State.

[59] *Ibid.*, 122-D Viceroy Army Dept. to Secretary of State 30.3.21.

[60] One of the Viceroy's major objections to the demand for reinforcements in Iraq in 1920 had been that he had not previously been consulted or even kept abreast of events. (*Ibid.*, 119-D Telegram 11581 of 3.9.20 Viceroy Army Dept. to Secretary of State).

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> The principle should be generally accepted that, except in the gravest emergency, the Indian Army should be employed outside the Indian Empire only after consultation with the Governor-General in Council.... The view of the Government of India that the Indian Army should not be required permanently to provide large overseas garrisons is supported. Units required for such purposes should be maintained in addition to the establishment laid down for the Indian Army, and the whole cost, direct or indirect, of recruiting and maintaining such units should be borne by His Majesty's Government, or by the dependency or colony requiring their services.[61]

This position was held for the rest of the decade. The Indian army still played a limited imperial role, but at London's expense. Indian troops could still be used to bolster up the British position in the East, but they had to be bargained for as mercenaries; they could not be summoned by right and at no expense. The Indian army had become a pawn in the political battles waged between London and New Delhi and between the Government of India and its critics. As the Finance Member, Government of India, admitted in 1927:

> ...[T] he existing scale of military expenditure is a disastrous burden upon India. There is a crying need for more and more expenditure upon the betterment of the conditions of life for the people of India and since the Reforms there is at least the beginning at any rate of an effective popular demand for such expenditure.[62]

The Indian politicians leading this demand, both at the centre and in the provinces, were not only impelled by humanitarian motives. The financial (and hence political) resources of India were scarce; the smaller the amount wasted upon imperial requirements, the greater would be the amount available to themselves.

It was in late 1921 and early 1922 that the Cabinet's concern over India reached its highest point. Their discussions show that they were anxious about the Viceroy's plans to open negotiations with the Congress, angered by the Government of India's and the Government of Bombay's reluctance to grasp the nettle of disorder and arrest Gandhi, and haunted by fears that the whole structure of the Raj was falling apart. Various plans were discussed: Lloyd George put forward a proposal to send out three or four able and strong

[61] *Ibid.*, 130-D 'Report of the Sub-Committee on Indian Military Requirements as Amended and Approved by His Majesty's Government.'

[62] Memo by Sir Basil Blackett 4.7.27, enclosure to Irwin to Birkenhead 7.7.27, Irwin MSS Vol. 3.

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men from Britain to strengthen the resolve of the Viceroy's Executive Council and felt it necessary to announce that 'it must be made clear that the Government had no intention of leaving India or of allowing British supremacy there to be challenged'; Montagu suggested adding to this a reminder that all Britain's strength would be exerted if necessary to maintain her position in India.[63] This bellicose hysteria reached its peak when the Government of India suggested cutting military expenditure by reducing the number of white troops in India and allowing Indians to become officers in the army, which they regarded as 'essential if we are to hold India at all'.[64] In 1923 the Home Government passed a scheme by which eight units of cavalry and infantry were to have Indian officers,[65] but not before the Cabinet had held the plans up for over a year because they feared that indianisation of the officer corps would prepare the ground for another mutiny.[66]

By 1923 then, the financial and political crisis in India, largely springing from the strains caused by India's imperial role during the 1914-18 war, had forced British policy-makers and planners to reduce drastically India's imperial commitments. But the absence of any major imperial military crisis until 1937, or of any major commercial or financial one until 1930, disguised this fact both in Delhi and London. The Indian army was not again called upon to play a major imperial strategic role until the mid 1930s, but, in any case, until then there were no major strains on the imperial defences. Between 1923 and 1929 all London's old taboos about Indian tariff policy were flouted—an avowedly protectionist iron and steel tariff was imposed in 1924[67] and the cotton excise was abolished in 1926. But although for commercial reasons Britain's traditional export staples were beginning to require some sort of protection in world markets by the late 1920s, all three major political parties in Britain were remarkably loath to abandon free trade. Baldwin's tariff reform election of 1923 proved politically disastrous; the Labour Party's agonizing progress towards protection in 1929 was one of the major causes of its disintegration in 1930.[68]

[63] CAB 23/29, conclusion of Cabinet 8(22) of 6.2.22, Conference of Ministers 10.2.22 and 13.2.22.

[64] *Ibid.*, Conference of Ministers 9.2.22.

[65] CAB 23/45, 3(23)4 of 26.1.23.

[66] CAB 23/29, Conference of Ministers 20.12.21, 9.2.22, 10.2.22, & 13.2.22.

[67] The Viceroy offered to try and get preferential rate for British goods written into this, but was told by the first Labour Government that while it was opposed to protection in principle: 'His Majesty's Government would not desire that you should incur any embarrassment whatever for the sake of establishing [the] principle of Imperial preference if there is not the voluntary disposition in your Government to grant it.' See I. M. Drummond, *British Economic Policy and the Empire*, London, 1972, p. 125.

[68] See K. Middlemass and B. Barnes, *Baldwin: A Biography*, London, 1969, Ch. 10; R. Skidelsky, *Politicians and the Slump*, London, 1967.

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Although few people in London or Delhi realized it, the economic relationship between Britain and India was changing fundamentally in the 1920s. The importance of the Indian market for British exports and the importance of the type of goods exported to India (textiles, heavy machinery, etc.) within the British economy was declining. Although India remained the single largest purchaser of British goods until the late 1930s—taking just over 10 per cent of the total in the 1920s—the Indian market was becoming irrelevant to the growth sectors of the British economy.[69] India was still of vital importance to Lancashire, it was her largest market and cotton textiles still represented the largest item in the tables of Indian imports from Britain, but India now took only one-third of Lancashire's output and textiles were only one-third of India's imports from Britain.[70] Japanese competition did not yet represent such a threat to British cotton mills as it did to Indian ones, but it was another new factor in the commercial relationship between Britain and India. Although Indian industries were not developing as fast as some Indian businessmen and politicians had hoped in 1918, the competition of native import-substitution industries was also having an effect on most sectors of British exports to India.[71] The role of British investment in the Indian capital market was also becoming muted. Although India's relative importance as a field for British overseas investment was increasing, the place of overseas investment in the British national income was declining.[72] The British investor still played a large part in financing the sterling debt of the Government of India, but India's public rupee debt was considerably larger than her sterling one[73] and his role in private investment was diminishing. Between 1921 and 1938 British investors provided £21.285 million of new private foreign sterling investment and Rs 159.7 million of private foreign rupee investment, out of totals of £33.934 and Rs 220.5 million respectively. In total, British investors provided Rs 343.4 million worth of new investment

[69] See D. E. Moggridge, *British Monetary Policy 1924-31*, Cambridge, 1972, Ch. 5. 'The export sector, rather than being an engine for growth between 1924 and 1929, merely allowed domestic expansion to proceed relatively unimpeded.' (*Ibid.*, p. 116.) Cotton textiles were one of the two sectors of the export industry which declined in output between 1924 and 1929 (the other was woollens); the most expensive export commodities—vehicles, chemicals, electrical goods, etc.—had little market in India. (*Ibid.*, p. 123.)

[70] See tables pp. 378-80.

[71] Bagchi, *op. cit.*, part II.

[72] See D. H. Aldcroft and H. W. Richardson, *The British Economy 1870-1939*, London, 1969, pp. 62-67, 84-92; Drummond, *op. cit.*, p. 29; Saul, *op. cit.*, p. 67.

[73] Of India's Rs 1212 crores (£909 million) public debt in 1932, Rs 507 crores (£381 million) was held in England and Rs 705 crores (£528 million), in India. *Joint Committee on Indian Constitutional Reforms Vol. III Records*, Parl. Papers 1932-33, Vol. IX, No. 1, Statement by Secretary of State for India on Federal Finance, p. 23. While it is unlikely that any of the sterling debt was held by Indians, there is no way of knowing what percentage of the rupee debt was held by British residents in India or in England.

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between 1921 and 1938, but between 1921-22 and 1928-29 nearly Rs 300 million was invested in total in just two sectors of Indian industry—the western Indian cotton mills and the Bengal jute mills.[74]

The nature of the British system of world power and influence was changing markedly in the decade after the end of the First World War. British exports were no longer assured of world markets, London no longer dominated world-wide finance, the gold standard exchange had collapsed. At the same time financial stringency at home and competition from powerful new rivals—Japan and America—were forcing British defence planners to modify the network of imperial defence in the East. In the Defence of India plans drawn up in the late 1920s India was still assigned a role in the defence of British bases in China, Singapore, Burma, and the Persian Gulf[75] in the event of any major conflict, but with the ten-year rule[76] in force in Britain no such conflict seemed likely. India was not treated differently from the Dominions at the Imperial Conferences on tariff reform in 1923; those British politicians who did look to the empire to rescue Britain from her economic troubles turned to the colonies of settlement for aid, not to India or the rest of the dependent empire. Within India the role of British imports and investment was also declining; native capital and industry and Japanese imports were the growing features of the economy. The principles by and for which the British had maintained their rule in India were now changing dramatically, but it took another imperial crisis—springing from the world-wide depression of 1930-32—to make London policy-makers realize this.

* * *

The slump in commodity prices of the early 1930s hit India especially hard. An export surplus of commodities was vital to the whole Indian economy and yet it was the demand for, and the price of, just these sorts of goods that was hardest hit by the depression. The value of India's exports of merchandise (excluding precious metals and government stores) fell from

[74] While total sterling investments rose by 36 per cent between 1921 and 1938, British sterling investment rose by only 25 per cent. British rupee investment, however, rose faster than the total—11 per cent as against 9 per cent. During the period 1921-22 to 1929-30, total investment in the jute industry rose by 55 per cent, and in the cotton industry by 40 per cent. A. K. Bannerji, *India's Balance of Payments*, London, 1963, pp. 171, 175; Bagchi, *op. cit.*, pp. 258, 273.

[75] B. Prasad (ed.), *Official History of Indian Armed Forces in the Second World War 1939-1945*; N. Prasad, *Expansion of Armed Forces and Defence Organisations 1939-45*, Calcutta, 1956, pp. 10-13.

[76] The ten-year rule was a convention imposed by the British Treasury on service chiefs that defence budgets should be prepared on the basis that there would be no major war for ten years. It lasted from 1925 to 1932.

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Rs 361,34 lakhs in 1929-30 to Rs 257,85 lakhs in 1930-31 to Rs 181,90 lakhs in 1931-32 to Rs 152,86 lakhs in 1932-33.[77] India never suffered a balance of payments deficit during this period but, as in 1920-23, the depression in exports combined with bad harvests and political agitation led to agrarian unrest, a lack of confidence in the rupee and a financial crisis for the Government of India. In its search for new income the Government of India turned once more to the revenue tariff in 1930 and again in 1931. But now the slump was also having a disastrous effect on British exports (sales of British cloth in India fell from 1,248 million yards in 1929 to 376 million yards in 1931),[78] and any increase in the Indian tariff would damage these further. Thus the stage was set for a full-scale clash between London and New Delhi.

In February 1930 the Government of India announced that it was going to increase the import duty on cotton textiles from 11 to 15 per cent. The second Labour Government of 1929 to 1931 was probably more under the thumb of the Viceroy than any other British Government of the period and, although the Cabinet worried at length over the effects in Lancashire of this increase, it decided that it could not overrule Lord Irwin.[79] In January 1931 the Viceroy again announced an increase in the cotton tariff—this time to 20 per cent. The Cabinet argued Lancashire's case strongly, warning that increased tension between Britain and India might jeopardize the work of evolving constitutional reforms for India. The Cabinet now asked for a clear preferential tariff, lower for British good than for foreign ones. But the Viceroy was adamant; knowing the strength of Indian opposition to a preferential rate for British goods he pointed out that Indian tariff policy must be decided in India's interests alone and warned that any concessions to British interests would only increase the effectiveness of the boycott of British goods. Faced by the prospect of an official and non-official revolt in India, the Cabinet backed down.[80]

The real crisis over cotton tariffs came in September 1931. The Government of India, in financial difficulties again and under pressure from London to balance its budget, proposed a further increase of five per cent in the cotton tariff. By then the National Government, dependent on Conservative support for its existence, was in office. The influence of the Lancashire interest was now substantial—the 60 Conservative MPs from Lancashire were the largest and best organized pressure group in the House of Commons while Lord Derby, the largest magnate of the country, had considerable influence in the House of Lords and in the Conservative Party.[81] Whereas the Labour

[77] Banerji, *op. cit.*, p. 24.
[78] Bagchi, *op. cit.*, p. 238.
[79] CAB 23/63, 9(30) 2 of 7.2.30.
[80] CAB 24/129, C.P. 18(31) of 22.2.31, C.P. 35(31) of 2.2.31.
[81] See Secretary of State to Viceroy 18.9.31. Templewood MSS Vol. 13; Sir Samuel

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Secretary of State for India, Wedgewood Benn, had taken shelter behind the fiscal autonomy convention claiming that his duty was to lock. . . from the standpoint of India and with a view to advancing the interests of India,[82] his Conservative successor, Samuel Hoare, thought that as 'an extreme measure in a time of national emergency' the convention could be set aside.[83] Hoare frequently warned the Viceroy that both he and Baldwin thought that the convention should be radically altered and, in times of great stress, threatened that it might be modified.[84] But although Hoare regarded the new Government of India's tariff proposals as 'disastrous upon Lancashire,'[85] he could do little about them. The Cabinet complained to the Viceroy and then threatened him. It proposed first a counter-vailing excise on Indian cotton goods to nullify the effect of the new tariff,[86] then an increase in the tariff on non-British imports to 40 per cent *ad valorum*.[87] But the Viceroy refused to be bullied. He argued that any dictation from London of Indian tariff policy would raise the political temperature in India disastrously; he also revealed that three of the Indian and two of the British members of his Executive Council would resign if the Cabinet's proposals went through.[88] In the face of this opposition there was nothing that the British Government could do but give in gracefully.

By the end of 1931 the National Government had accepted that they could not interfere in the tariff policy of the Government of India, and that this method of maintaining a British commercial advantage was closed to them. At the Imperial Economic Conference of 1932 India was treated like just another Dominion;[89] she could no longer be regarded as a 'most favoured market'. Significantly, in a period in which British policy-makers were recognizing the need for government action and diplomatic pressure to maintain the position of British heavy industry in world and imperial markets, they encouraged the Lancashire Chamber of Commerce to negotiate private-

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Hoare to Lord Willingdon 26.2.32, *ibid.*, Vol. 1; S. C. Ghosh 'Decision-Making and Power in the British Conservative Party: A Case Study of the Indian Problem 1929-34 '*in Political Studies*, Vol. XIII, No. 2, 1965, pp. 192-212.

82 CAB 23/63, 9(30)2 of 7.2.30.

83 CAB 23/68, 58(31)3 of 17.9.31.

84 Sir Samuel Hoare to Lord Willindgon 2.10.31, 1.4.32 Templewood MSS Vol. 1.

85 CAB 23/68, 58(31)3 of 17-9-31.

86 Secretary of State to Viceroy 18.9.31 Templewood MSS Vol. 13; CAB 23/68, 62(31)9 of 22-9-31.

87 Secretary of State to Viceroy 21.9.31 Templewood MSS Vol. 13; Ditto 25.9.41, *ibid.*, Vol. 11.

88 See Viceroy to Secretary of State 26.9.31, *ibid.*, Vol. 13; Lord Willingdon to Sir Samuel Hoare 6.10.31. *ibid.*, Vol. 5.

89 See Sir Samuel Hoare to Lord Willingdon 28.1.32, 19.1.32, *ibid.*, Vol. 1; telegrams between Secretary of State and Viceroy March 1932 in *ibid*, Vol. 11.

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ly, with a minimum of official help, with the Indian cotton interests. The result of these negotiations was the Lees-Mody pact of 1933. Under the 1935 Government of India Act the fiscal autonomy convention was discontinued, but it was replaced by the complete exclusion of London from any interference whatsoever in Indian tariff policy and so from any power to manipulate the terms of trade in favour of British commerce. Even the Viceroy could now intervene only if he was satisfied that any discriminatory tariff was being imposed for political, not economic, reasons.[90]

During the rest of the 1930s India's importance as a market for British goods declined. But she was still an important potential buyer of the products of the struggling Lancashire textile industry. Lancashire now needed protection in India since both native mills and Japanese goods were in direct competition with her products. The British Government could no longer secure protection by right, so the Lancashire industrialists were forced to go cap in hand to the Government of India and beg for favours. They secured an ignominious series of trade agreements. In 1933 the Government of India forced the British Government to agree to buy 1,500,000 bales of Indian raw cotton a year if necessary (British industry had no use for the short-staple Indian cotton), to give the Government of India a bargaining counter against the Japanese who were threatening to boycott Indian raw cotton if their demands for a guaranteed sale of textiles in India were not met. In 1939 this principle was extended and the British Government had to promise to buy up 450,000 bales of useless raw cotton every year, or else see Lancashire lose all preferential treatment by the Government of India.[91]

In the late 1930s British drew in her horns in the world trading markets. Faced with a loss in the competitiveness of her goods and the growth of a series of protectionist tariff walls around the globe, she looked more and more to the empire as a market for commodities and as supplier of her import needs. But by looking to the empire, Britain brought more advantages to her colonies than to herself. Although the empire's share of British exports rose from 39.7 per cent in 1930 to 45.6 per cent in 1938, its share of British imports rose more sharply, from 25.9 per cent to 37.9 per cent.[92] India had a balance of payments surplus in commodities with Britain in 1931 and from

[90] CAB 23/80, 35(34)9 of 17.10.34.

[91] Drummond, *op. cit.*, pp. 135, 140 and note. Drummond has written of this last agreement: 'The "cotton clause" makes the 1939 agreement look rather like "capitulation"—the sort of thing which Marxists tell us the evil imperialist Western governments force on the weak and helpless countries of the Third World. But in this case. . . it was Britain who had capitulated, sacrificing most of her preferential advantages to win a doubtful benefit for her cotton trade, and a most uncertain "goodwill".' The reader is left to ask himself who was exploiting whom. *Ibid.*, p. 140.

[92] Alderoft and Richardson, *op. cit.*, p. 71.

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1933 to 1938.[93] While the British share of India's exports moved up from 21 per cent in 1930 to 27.5 per cent in 1932 and 35.5 per cent in 1940, the British share of India's imports fluctuated from 42.8 per cent in 1930 to 35.4 per cent in 1932 to 40.6 per cent in 1935 (the temporary effect of the Ottawa Agreement) to 25.2 per cent in 1940.[94] Whatever stake Britain might once have had in India as a colonial market, the boot was on the other foot by 1939. The crisis point in this change in the terms of trade had come in 1931 when the British Government had realized that, for fear of the reaction in India, they could no longer force their will on the Government of India and shape India's tariffs to Britain's needs.

The imperial crisis of 1931-33 was financial as well as commercial. The supplies of rupees available to the purchasers of India's exports was determined by the number which the Secretary of State offered for sale in London, and this power was used to strengthen or weaken the rupee exchange rate. But such government interference also attracted criticism from Indian interests whose foreign dealings were affected by the price of the rupee: baldly stated, the Government of India usually tried to keep the rupee exchange against sterling as high as possible to lessen the cost of the sterling remissions to London, while many Indian exporters wanted to increase their competitiveness abroad with a low exchange. After the disastrous fluctuations in the rupee exchange just after the end of the 1914-18 war, Indian attacks on the exchange policy of the Government of India became a major political issue. The government had finally stabilized the rupee at 1s 7d, while most Indian businessmen, especially those in the export-orientated Bombay cotton industry, wanted the rate to fall to its pre-war basis of 1s 4d.

The use of sterling (or sterling-based currencies like the rupee) in the empire was one of the secret strengths of the imperial system. By linking the colonial economies to sterling, London ensured that their strengths would help to support the pound; by insisting on rigid and conservative monetary policies, by which the currency development of individual colonies was firmly linked to the internal capital resources of each colony, London ensured that Britain's sterling resources were never put at risk by weaknesses in the colonial economies.[95] But by 1926 the political implications of government involvement in Indian currency policy were making this rigid position unsupportable. The *Royal Commission on Indian Currency and Finance* (Hilton Young Commission) saw this lack of Indian confidence as the rupee's greatest weakness. The Commission recommended setting up an independent Reserve Bank to handle India's exchange and currency policy, arguing that 'only

[93] *Statistical Abstract for the United Kingdom 1924-38*, Cmd 6232, 1939-40, Tables 279 and 281.

[94] Bagchi, *op. cit.*, p. 91 fn 56.

[95] S. Strange, *Sterling and British Policy*, London, 1972, p. 46.

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then will any danger of the Government's remittance policy interfering with the proper management of the currency be eliminated.'[96] Sir Basil Blackett, Finance Member Government of India, who had wanted to go even further than this and had supported the Indian demand for a gold-based rupee independent of sterling in his evidence to the Commission,[97] accepted this compromise and, with London's consent, prepared a Reserve Bank Bill to put before the Central Legislative Assembly. Blackett claimed that this Bill represented 'one of the greatest measures of financial liberalism ever brought forward by the Government of India,'[98] and that:

> At one stroke control of Indian currency and finance will be transferred from a centre situated at some point between Whitehall and Delhi into the sole control of India. And while geographically the control will be in India, the atmosphere in which that control will be exercised will no longer be a Government atmosphere but an atmosphere permeated by the views of representatives of agricultural, commercial and industrial India.[99]

However, when the Bill was discussed by the Central Legislative Assembly in 1927 and 1928 it was attacked as not giving enough control to Indians. The Government of India proposed a shareholders Bank (of which the majority would be Indians), the MLAs wanted a State Bank, controlled by the C.L.A. Eventually the government were defeated by one vote on the question of the composition of the Directors and withdrew the Bill.[100]

The attempt to devolve power over Indian currency and finance was based on the strength of the Indian economy and of the rupee in the late 1920s. London's major concern was that India should continue to make sterling remissions. The bulk of these remissions were interest payments on the railway annuities and sterling loans raised in Britain.[101] These loans and annuities were guaranteed by the Secretary of State for India and so, ultimately, by the British Parliament. But in the vital period 1929-33 India's foreign currency earnings, on which the viability of the system depended, declined drastically. The basis of the trade surplus which provided foreign exchange was exports of raw materials and agricultural produce; it was just these commodities that were hardest hit by the depression in commodity prices

[96] *Royal Commission on Indian Currency and Finance Report, Vol. I*, Cmd 2687, 1926, para 111.

[97] E. Hilton Young to Baldwin 11-12-25 Baldwin MSS E 5 102.

[98] Speech in C.L.A. 25.1.27. *Journal of the Parliaments of the Empire*, 1927, Vol. 8, p. 938.

[99] Speech at Delhi University 1926, quoted in *Indian Central Banking Enquiry Committee 1931 Vol. I Part II Minority Report* [By Manu Subedar], Calcutta, 1931, p. 289 note.

[100] *Journal of the Parliaments of the Empire*, 1927, Vol. 8, p. 934ff; 1928, Vol. 9, p. 530ff.

[101] The Government of India's sterling debt was £363,612,480 in 1929-30. See *Statistical Abstract of British India 1922-23 to 1931-32*, Cmd 4835, 1934-35, Table 57.

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from 1929 onwards. As these prices fell on the world market, so Indian agriculture became depressed, the yield of the Government of India's taxation fell and the budget became increasingly imbalanced. The trade depression led to a lack of confidence in the rupee which prevented the Government of India from buying sufficient sterling in 1929 and 1930 to make remissions to London. This situation, coupled with increasing uncertainty about the future management of India's finances, led to a fall in confidence in the Government of India loan stock among British investors. In 1930 the Government of India still managed to overcome its immediate problems by raising new sterling loans worth £31,000,000 on the London market. But early in 1931 a new loan failed and, with the sterling reserves seriously depleted, the Government of India was on the brink of defaulting.[102]

The question of the financial relations between the Governments of India and Great Britain under the new constitution was influenced both by short-term and long-term factors. The immediate financial crisis of 1931 made all the long-term questions exceptionally vivid to the policy-makers in Whitehall and New Delhi. The handling of this crisis also reveals the extent to which the British Government were still prepared to impose their will on the Government of India in an emergency; they exerted a dominance then that makes their later capitulation on future relations under the 1935 Act even more surprising.

By the end of 1930 both the Secretary of State and the Viceroy had taken up the positions from which they were to do battle for the next three years. To London the over-riding necessity was now that the Government of India must continue its remissions; if the balance of payments situation did not allow these remissions to be made normally, the Government of India must borrow in London. The confidence of the London money market could only be retained if the Secretary of State kept complete control over Indian finance and so the Whitehall argument insisted that there could be no devolution of power to India in this field. The Secretary of State put this position bluntly in December 1930:

> Hitherto, the stability of Indian finance, official and unofficial, has been dependent on the credit of the Secretary of State and reliance on his control. . . . There appears to be no practicable means of ensuring confidence in the future of Indian financial administration if Parliament is divested of control.[103]

[102] CAB 27/470 BDG(30)17 Memo on Indian Finance by Secretary of State 8.12.30; CAB 27/461, BDG(31)6 of 19.6.31; Viceroy to Secretary of State 18.9.31 Templewood MSS Vol. 11.

[103] CAB 27/470, BDG(30)17 Memo on Indian Finance by Secretary of State 8.12.30.

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The Government of India's basic position was that no stability of Indian finance was possible without support from a broad section of Indian public opinion. New Delhi still regarded the problem of financial stability as part of the wider problem of finding a political solution for India that would induce influential Indians to support the government. Thus the Finance Member, Government of India, wrote of the need for the Government of India to work in the interests of India and insisted that the 'dictatorship of the India Office' must be removed.[104] Throughout the period, the Viceroy and his advisers insisted on the necessity of concessions over finance, arguing against any over-riding control by London in financial matters and even against the idea of an official Finance Member in any future central government.[105] They again based their proposals on the need to establish a non-political Reserve Bank to regulate the currency and exchange policy of the Government of India. This idea had been resurrected in the Government of India despatch on the constitutional reforms in 1930 and picked up by Ramsay MacDonald at the first Round Table Conference. It seemed to the Prime Minister to be a safe way of transferring financial control out of London's hands,[106] but the India Office would have none of it; the Secretary of State refused to consider the idea unless he held control over such a Bank.[107]

No agreement had been reached before the financial crisis of 1931 struck. The basic problem now facing the Government of India was how to continue remissions and maintain India's credit and the level of the rupee in the face of an adverse balance of payments, a failed loan issue in London and sinking sterling reserves. New Delhi could see only one way out—they asked for a drawing credit of £100 million on the Bank of England, guaranteed by the British Government, to reverse the capital flow out of India. The India Office got the Cabinet Sub-Committee on Indian Finance to agree to a drawing credit of £50 million, but, when the proposal came before the full Cabinet, the Chancellor of the Exchequer vetoed, it.[108] Eventually a compromise was reached, but it was one in which the Treasury view dominated: the

[104] Quoted in Sir Samuel Hoare to Lord Willingdon 5.2.32 Templewood MSS Vol. 1. In this letter Hoare accused the Finance Member, Sir George Schuster, of talking like an Indian nationalist.

[105] See CAB 27/470, BDG(30)29 Finance Member, Government of India to Secretary of State 28.12.30; Viceroy to Secretary of State 1.1.31; 2.1.31.

[106] CAB 27/470, BDG(30)8 Memo by Prime Minister 19.11.30; CAB 23/66, 6(31)1 of 14-1-31.

[107] CAB 27/470, BDG(30)17 Memo on Indian Finance by Secretary of State 8.12.30; *ibid.*, BDG (30)29 Viceroy to Secretary of State 1.1.31.

[108] CAB 27/471 BDG(31)6 of 19.6.31; CAB 27/470 BDG(31) 6 of 22.6.31. The Chancellor argued that British money could not be used to support India, while the discussion of such a proposal in the House of Commons would weaken still further India's credit. He was supported by the Prime Minister.

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British Government bound itself only to a vague promise to ask Parliament to support the Government of India's financial position 'under suitable conditions' if it became necessary.[109]

In September 1931 the financial crisis was further complicated by the weakness of the rupee. The Government of India was now finding it almost impossible to hold their currency to its fixed rate of 1s 6d and was convinced of the economic and political necessity of devaluing the rupee to 1s 4d.[110] But the Treasury consistently opposed this move and, after Britain had gone off the gold standard, the India Office closed ranks to defend the official British Government view. London argued that devaluation would damage India's credit (and so make it impossible for her to make remissions) and that, once devalued, the rupee would fall well below 1s 4d.[111] During the rest of 1931, especially over the preparation of the Government of India's emergency budget in September, the Treasury and the India Office had their way completely over the Government of India. Ignoring threats of resignation and prophecies of disaster, the British Cabinet forced the Viceroy and his Executive Council to maintain the rupee at 1s 6d, to follow sterling off the gold standard, to screw up taxation to a politically suicidal level and generally to ignore Indian opinion completely. The Viceroy warned London that the emergency budget, dictated by the Cabinet, 'will be a shock to all communities' and that its terms would give Gandhi 'the most enormous advantage in restarting his Congress propaganda' after his return from the Second Round Table Conference.[112] Willingdon thought that the currency question and the shipping of gold to London were the two most explosive issues. Of the first point he later wrote:

> I have always felt that the strength of Indian opinion on this matter has never been really appreciated in London. It has been regarded rather as a matter of a few agitators and speculators who stand to gain by a fall in the rupee. On the contrary, it is a matter which has become deeply rooted—almost ineradicably—in Indian national opinion, and at present . . . it supplies probably the strongest hostile motive in India.[113]

But he was unable to divert the British Cabinet's insistence on the same sort of doctrinaire, insensitive policy of balancing the budget that they were following at home.

By the middle of 1932, the immediate crisis was over. In the short-term,

[109] *Ibid.*, BDG(31)7 of 25.6.31.
[110] See Viceroy to Secretary of State 8.9.31 Templewood MSS Vol. 11.
[111] CAB 23/68, 62(31)8 of 22.9.31.
[112] Lord Willingdon to Sir Samuel Hoare 28.9.31.Templewood MSS Vol. 5.
[113] Lord Willingdon to Sir Samuel Hoare 31.10.33. Templewood MSS Vol. 6.

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the Treasury strategy had been vindicated. Massive exports of gold bullion had repaired India's balance of payments, her credit on the London money market was sound again, the position of the rupee had strengthened, remissions had begun and the repayment of short-term sterling and rupee loans had been started.[114] Now the India Office could consider the terms of the White Paper on Indian Constitutional Reforms and what control-structure over Indian finance there was to be in the new Act. It was now that the Government of India and Indian opinion had their revenge.

During 1932 the Secretary of State became increasingly aware of the need to conciliate Indian opinion in formulating the new constitution. Although he announced in June that the British Government would draw up a White Paper without benefit of another Round Table Conference (which he feared would enrage most of the Conservative Party)[115] the protests of the Viceroy and of 'moderate' Indian opinion forced him to change his mind.[116] A Cabinet Committee was convened to discuss proposals which could be put first to the Cabinet, then to the Third Round Table Conference and then be written up as a White Paper to be put to a Joint Committee of Parliament. The Cabinet Committee on India had prepared a scheme for financial control by December 1932. This proposed the transfer of finance to an Indian minister responsible to the central legislature, with a number of safeguards: the Viceroy was to be given powers to certify legislation if necessary for 'safeguard'ng the credit of the Federation' and he was to have the support of a statutory Financial Adviser to help him in this; the supply of the Defence and Foreign departments and the interest and 'sinking funds' on the public debt were to be immune from any vote in the legislature; the budget proposals of the Indian Finance Minister could not be introduced to the legislature without the Viceroy's prior sanction and a non-political Reserve Bank was to be set up to control currency and exchange matters; the Reserve Bank was to be under the Viceroy's authority and its establishment was to be a necessary pre-condition of any transfer of financial responsibility.[117] These proposals may not look very generous but, in the context of the recent financial relations between the Government of India and Whitehall, they represented a cons'derable advance. Despite the doubts about the financial wisdom of the Government of India that the Secretary of State had entertained as recently as the 1931 crisis, the India Office was now

[114] See the remarkably smug Memo by the Secretary of State CAB 24/247, CP 28(34) of 3.2.34.

[115] See Sir Samuel Hoare to Lord Willingdon 22.5.32; 5.8.32 Templewood MSS Vol. 2

[116] See R. J. Moore, 'The Making of India's Paper Federation 1927-35' in C. H. Philips and M. D. Wainwright (eds.), *The Partition of India: Policies and Perspectives 1935-1947*, London, 1970, pp. 71-2.

[117] CAB 23/73, 65(32)5 of 7.12.32.

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prepared to relinquish all control over India's external financial arrangements to the Viceroy—even the Reserve Bank was to be under the control of New Delhi, not of Whitehall. London had now come round to the position that the Government of India had taken up in 1930.

When the Cabinet came to consider the proposals of this Committee it was only the question of finance that caused any difficulty.[118] Hoare was under fire from the Government of India and from, the 'rigid views' of the Treasury; he had to find some compromise between 'the demands of political expediency . . . [and] the needs of sound finance.'[119] Hoare had by now reversed his 1931 position—he accepted that it was more important to assuage Indian opinion than to insist on the maximum guarantees of financial probity. Eventually the Chancellor of the Exchequer also came round to this view, reiterating the point that the Treasury, the Bank of England, and the City thought that any transfer of financial responsibility to India would be disastrous for India's credit, but accepting that the political situation in India made it imperative to take the risk of transferring control over finance from the Secretary of State to the Viceroy. In December 1932 the Cabinet passed Hoare's proposals.[120]

The new arrangements were accepted with a fairly good grace by the Indian delegates at the Third Round Table Conference,[121] written into the White Paper and brought before the Joint Committee on Indian Constitutional Reform. In his evidence to the Committee, Hoare made it quite clear that all control by the Secretary of State was to be surrendered.[122] Certain members of the Committee, led by Lord Rankeillour, did try to rake up the point that the loss of London's control would damage India's credit on the London market, but they were side-tracked into a discussion of what would happen if the Government of India did not have enough cash to pay the I.C.S. officers.[123] Finally, Hoare's plan was embodied in the 1935 Government of India Act.[124] Despite a last-minute panic by Willingdon, and complete intransigence on the part of the Joint Committee, the Bill to establish a Reserve Bank on the lines of the 1927 Bill with a statutory clause to guarantee the rupee at 1s 6d, was passed by the Central Legislative Assembly

118 See CAB 27/520, CI(32)7 of 4.10.32, 8 of 7.10.32, 9 of 11.10.32, 10 of 12.10.32 and 11 of 13.10.32.

119 Sir Samuel Hoare to Lord Willingdon 20.10.32 Templewood MSS Vol. 2.

120 CAB 23/73, 65(32)5 of 7.12.32.

121 CAB 23/73, 68(32)1 of 21.12.32.

122 *Joint Committee on Indian Constitutional Reforms Vol. IIB Minutes of Evidence. . . by Secretary of State for India and his Advisers* (Parliamentary Papers 1932-33 Vol. VII), p. 1026.

123 *Ibid.*, pp. 1032-35.

124 See clauses 12, 15, 31, 33, 34 and 43-44: Sir M. Gwyer and A. Appadorai, *Speeches and Documents on the Indian Constitution 1927-47*, Vol. I, Oxford 1957, pp. 228-36.

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in 1934.[125] Although the Federation for which it was a pre-condition was never set up, the Reserve Bank of India conducted the Government of India's currency and exchange policy from then on. In fact, British policy-makers need have had no fears about India's credit-worthiness without control from London. From 1935 to 1939 India's financial position gradually strengthened, no new sterling loans were needed and between 1937 and 1939 she had a credit of Rs 74.3 crores on her capital account.[126]

In the heat of the 1931 crisis, the British Government had demonstrated its power over the finance policy of the Government of India. Ignoring all protests from New Delhi, the India Office and the Treasury had dictated currency and monetary policy to ensure that India played her part in shoring up the weaknesses of Britain's financial position. But by 1933 it had given away all this advantage. Control of financial policy was now to be given to the Viceroy, not to an Indian minister, but, as the disputes between both Irwin and Willingdon and the authorities in London had shown, even Viceroys were now ready to serve the interests of India rather than those of London.

* * *

The progress of constitutional advance in India was determined by the need to attract Indian collaborators to the Raj, swell the revenues and maintain the political security of British rule, leaving the Government of India free to fulfill its imperial role. Thus the changing imperial role assigned to India by London policy-makers was the most important single regulator of the development of constitutional reform. But the limiting of this role, and the consequent acceptance of further measures of non-official control in Indian government, was not a simple evolutionary process. India's true place in the empire was only revealed at times of imperial crisis, but the strains imposed by each successive crisis left India's imperial role diminished for the next one. Even before the First World War it had been clear that, to

[125] See Sir Samuel Hoare to Lord Willingdon 3.11.33; 17.11.33 Templewood MSS Vol. 3; R. Mukerjee and H. L. Dey, *Economic Problems of Modern India, Vol. II*, London, 1941, p. 358. For an account of the early years of the Reserve Bank see *ibid.*, Chapter XXX; S. L. N. Sinha, *History of the Reserve Bank of India 1935-51*, Bombay, 1970, Chapters 1, 3, 4 and 5; *Journal of the Parliaments of the Empire*, 1934, Vol. 15, pp. 231-32, 491ff. The strains put upon the currencies and economics of the Dominions by the depression and by sterling's lapse from the gold standard in 1931 had also necessitated a degree of financial devolution from London. In 1931, at Montagu Norman's prompting, independent Central Banks were set up in Canada, South Africa, Australia, and New Zealand. The weakness of the British economy and the inherent strengths of the Dominion economies meant that their assets could now only be used to support sterling if a measure of devolution and local control was incorporated into the system. By 1934, the same position had been reached in India. See Strange, *op. cit.*, pp. 54-55.

[126] Banerji, *op. cit.*, p. 239.

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survive, the Government of India had to balance the imperial and domestic claims upon its resources. India's participation in the imperial war effort of 1914-18 had boosted domestic pressures on government so that a measure of constitutional reform and a serious limitation on India's imperial military role had to be conceded after the war; the strains caused by India's enforced participation in strengthening the British position in the financial crisis of 1931 had a similar effect—now the British government had to sell its control over commercial and financial policy in an attempt to buy Indian political support.

The 1935 Government of India Act marks a significant point in the process of the modification of the systems of control employed by the British to secure the benefits of their Indian empire. The Act did not concede Dominion Status to India but it did confer most of the powers of a Dominion government on the Government of India. London's surrender of power over Indian commercial and monetary policy was not just a defensive reaction to the demands of Indian opinion for control of the deployment of national resources. The substitution of informal influence for formal control was now necessary to secure imperial purposes: by giving Indians control over commercial policy the British policy-makers were making a last, desperate attempt to safeguard the privileged position of British goods in the Indian market; by surrendering finance to the Viceroy they were recognizing that it was Indian, not British, confidence in financial policy that was the best way to maintain India's solvency. But even a system of informal influence had to be stage-managed. The political and constitutional problem that faced the makers of the 1935 Act was that of ensuring that the new opportunities open to Indian politicians would be taken up by those prepared to guarantee continued links with Britain and her empire. It was in this field that the 1935 Act failed and this failure undermined the entire basis of the new strategy of British rule.

The considerable amount of literature which exists on British political and constitutional policy in India in the last 70 years of the Raj has, for the most part, ignored the imperial factor in Indian history. This article has attempted to restore the balance by pointing out the nature of, and the problems caused by, the role of India as an imperial appendage. The most important decisions about British India policy, notably the Government of India Acts of 1919 and 1935, were made in London; it is therefore essential for historians to analyze London's priorities for her Indian dominion. Changes in expectations of India's imperial role and of the techniques of control necessary to secure this were one of the most vital factors in determining British policy in India in the late nineteenth and twentieth centuries, and this article has tried to identify the rival claims of imperial and domestic supplicants on the limited resources of Indian government as the fundamental equation that underpinned the calculations of British policy-makers.

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TABLE I

TOTAL BRITISH EXPORTS (PRODUCE AND MANUFACTURES OF THE UNITED KINGDOM), EXCLUSIVE OF GOLD AND SILVER BULLION AND COIN, AND BRITISH EXPORTS TO INDIA 1913, 1919-38

(In £ million)

	Total British Exports	*Total British Exports to British India including Burma*
1913	525	**70**
1919	799	**71**
1920	1334	**181**
1921	703	**109**
1922	718	**92**
1923	767	**86**
1924	801	**91**
1925	773	**86**
1926	653	**82**
1927	709	**85**
1928	724	**84**
1929	729	**78**
1930	571	**53**
1931	391	**32**
1932	365	**34**
1933	368	**33**
1934	396	**37**
1935	426	**38**
1936	441	**34**
1937	521	**39**
1938	471	36

SOURCE: *Statistical Abstract for the United Kingdom 1913-28* (Cmd 3465 of 1929-30), Table 215. *Statistical Abstract for the United Kingdom 1924-38* (Cmd 6232 of 1939-40), Table 281.

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TABLE II

TOTAL BRITISH EXPORTS OF COTTON PIECEGOOD AND TOTAL EXPORTS BRITISH COTTON PIECEGOOD TO INDIA 1913, 1919-39

(In million yards)

	Total British Exports	*British Exports to India, incl. Burma*
1913	7,035	3,104
1919	3,524	976
1920	4,643	1,272
1921	3,038	995
1922	4,313	1,453
1923	4,324	1,319
1924	4,585	1,614
1925	4,637	1,287
1926	3,923	1,467
1927	4,189	1,543
1928	3,968	1,452
1929	3,765	1,248
1930	2,491	523
1931	1,790	376
1932	2,303	586
1933	2,117	415
1934	2,060	552
1935	2,013	440
1936	1,993	334*
1937	2,023	207**
1938	1,448	206**
1939	1,462	145**

*India (excluding Burma) 309
**Excluding Burma

SOURCES: Mitchell and Deane, *Abstract of British Historical Statistics*, Cambridge, 1962, pp. 182-83; A. K. Bagchi, *Private Investment in India 1900-39*, Cambridge, 1972, p. 238.

NOTE: These columns are not strictly comparable as British government figures are given in calender years and the Government of India figures in financial years.

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Table III

TOTAL INDIAN IMPORTS OF PRIVATE MERCHANDISE FROM BRITAIN AND IMPORTS OF COTTON MANUFACTURES FROM BRITAIN 1919-40

(In Rs millions)

	Total Indian Imports From Britain*	*Total Indian* Imports of Cotton Manufactures from Britain*
1919-20	1050	508
1920-21	2046	811
1921-22	1501	474
1922-23	1400	592
1923-24	1316	553
1924-25	1336	662
1925-26	1153	490
1926-27	1103	490
1927-28	1192	470
1928-29	1132	451
1929-30	1031	378
1930-31	613	146
1931-32	448	99
1932-33	488	142
1933-34	476	104
1934-35	537	130
1935-36	522	108
1936-37	481	89
1937-38	520**	79**
1938-39	465**	60**
1939-40	416**	45**

*Including Burma
**Excluding Burma

Sources: *Statistical Abstract of British India 1917-18 to 1926-27* (Cmd 3291 of 1928-29), Tables 205, 216. *Ibid., 1922-23 to 1931-32* (Cmd 4835 of 1934-35), Tables 207, 218. *Ibid., 1930-31 to 1939-40* (Cmd 6441 of 1942-43), Table 254. *Annual Statement of the Sea-borne trade of British India 1936 Vol. II*, Table 13, p. 234. *Ibid., 1940, Vol. II*, Table 13, p. 236.

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